

FISCAL NOTE

SB 3076 - HB 3144

March 10, 2004

SUMMARY OF BILL: Exempts members of the uniformed service on active duty from payment of the sales and use tax on motor vehicles if the vehicle is registered in Tennessee.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$2,457,960


Decrease Local Govt. Revenues - \$605,036

Estimate assumes:

- A total of 9,209 people could potentially qualify: National Guard (4,424); Reserves (4,000); Air Force (172); Navy (105); Marines (125); Coast Guard (250); Army (133)
- The percentage of qualifying uniformed service members buying vehicles each year (16.27%) remains consistent with the percentage of guard members purchasing vehicles in 2003. Therefore, the number of qualifying individuals assumed to be taking advantage of this exemption is $9,209 \times 16.27\% = 1,498$.
- The average price of vehicles purchased by guard and reserve members is \$16,829. This was calculated based upon 2003 data provided by the NADA. The average price of new vehicles was \$27,276 and the average price of used vehicles sold at franchised dealerships was \$13,347. Historically, new vehicles account for 25% of sales and used vehicles account for 75% of sales. Therefore, $(\$27,276 \times 25\%) + (\$13,347 \times 75\%) = \$16,829$.
- The sales tax base from which the state and local governments would see declines in revenue is $1,498 \times \$16,829 = \$25,209,842$.
- The loss in state sales tax revenue is $\$25,209,842 \times 7\% = \$1,764,689$ plus the decrease in single article collections $\$25,209,842 \times 2.75\% = \$693,271$ for a total of $\$1,764,689 + \$693,271 = \$2,457,960$.
- The loss in local government revenue, assuming an average local option rate of 2.4%, is $\$25,209,842 \times 2.4\% = \$605,036$.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director